

Sanlam Group

Incorporated in the Republic of South Africa
Registered name: Sanlam Limited
(Registration number 1959/001562/06)
“Sanlam” or “the company”

JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660

Summarised Audited Results for the year ended 31 December 2013

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Administration

Sanlam Group Results December 2013

Key features

Earnings

- Net result from financial services per share increased by 34%
- Normalised headline earnings per share up 35%

Business volumes

- New business volumes up 36% to R185 billion
- Net value of new covered business up 12% to R1 320 million
- Net new covered business margin of 3,06%
- Net fund inflows of R32 billion

Group Equity Value

- Group Equity Value per share of R41,21
- Return on Group Equity Value per share of 17%

Capital management

- Discretionary capital of R4 billion at 31 December 2013
- Sanlam Life Insurance Limited CAR cover of 4,5 times

Dividend

- Normal dividend of 200 cents per share, up 21%

SALIENT RESULTS				
for the year ended 31 December 2013		2013	2012	△
SANLAM GROUP				
Earnings				
Net result from financial services per share	cents	266,0	198,9	34%
Normalised headline earnings per share ⁽¹⁾	cents	395,0	292,1	35%
Diluted headline earnings per share	cents	397,8	286,8	39%
Net result from financial services	R million	5 429	4 030	35%
Normalised headline earnings ⁽¹⁾	R million	8 060	5 919	36%
Headline earnings	R million	8 062	5 763	40%
Group administration cost ratio ⁽²⁾	%	29,4	30,6	
Group operating margin ⁽³⁾	%	22,2	19,4	
Business volumes				
New business volumes	R million	184 855	135 903	36%
Net fund inflows	R million	31 848	22 989	39%
Net new covered business				
Value of new covered business	R million	1 320	1 176	12%
Covered business PVNBP ⁽⁴⁾	R million	43 197	36 528	18%
New covered business margin ⁽⁵⁾	%	3,06	3,22	
Group Equity Value				
Group Equity Value	R million	84 409	75 352	12%
Group Equity Value per share	cents	4 121	3 707	11%
Return on Group Equity Value per share ⁽⁶⁾	%	17,0	22,0	
SANLAM LIFE INSURANCE LIMITED				
Shareholders' fund	R million	60 542	55 466	
Capital Adequacy Requirements (CAR)	R million	7 550	7 125	
CAR covered by prudential capital	Times	4,5	4,3	

Notes

(1) Normalised headline earnings = headline earnings, excluding fund transfers.

(2) Administration costs as a percentage of income after sales remuneration.

(3) Result from financial services as a percentage of income after sales remuneration.

(4) PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.

(5) New covered business margin = value of new covered business as a percentage of PVNBP.

(6) Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.

EXECUTIVE REVIEW

The Sanlam Group in 2013 once again delivered the solid operational performance that stakeholders have come to expect from us. These excellent results were achieved despite a challenging local and global operating environment.

In 2013 we experienced a difficult environment mainly due to low short-term interest rates, which had a negative effect on several of our businesses, combined with tough economic conditions that severely restricted the disposable income of the South African consumer. A volatile currency and severe regulatory pressures and uncertainty also impacted on our businesses.

The strength of the Sanlam brand together with a well-diversified business, an increased distribution footprint and a strong focus on client service helped us weather this environment and our total new business volumes grew by more than 35%.

Our primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV). Given the nature of the Group's diversified business, we consider this measure of performance the most appropriate since it incorporates the result of all the major value drivers in the business. The RoGEV per share for 2013 of 17% exceeded the target of 10,8% by a healthy margin.

Net operating profit (net result from financial services) grew by 35%. All businesses contributed to this growth, with the exception of Santam. The short-term insurer was hit hard by the high claims experience caused by a succession of costly natural disasters and a volatile currency that resulted in excessive vehicle repair costs.

The following are some of our other salient results:

- New business volumes (excluding white label) increased by 26% to R155 billion
- Net value of new covered business up 23% on a comparable economic basis
- Net VNB margin of 3,29% compared to 3,22% in 2012 on a comparable economic basis
- Normal dividend per share increased by 21% to 200 cents

2013 strategic initiatives

The following five strategic pillars continue to underpin the Sanlam Group business model:

- Improving performance through top-line growth
 - Increasing market share in key segments
 - Diversifying the base (including geographical presence, products, market segments and distribution platforms)
- Improved operating and cost efficiencies, including quality
- Prioritising Sanlam's international positioning through diversification
- Improving capital efficiency on an on-going basis
- Embracing and accelerating transformation of the Group

Below is a brief overview of our achievements for 2013 against our five strategic pillars.

Earnings Growth

The Group achieved exceptional operating earnings growth of 35% for 2013, surpassing our own expectations.

Earnings growth was driven by two main components. Organic growth contributed 71% of the growth and was achieved by extracting more value from existing businesses, improving efficiencies and reducing costs. Acquisitions made with surplus capital contributed 29% of earnings growth. We had particular success with this approach in India, Malaysia and Namibia.

Operating and cost efficiencies

Maintaining capital and cost efficiency remains a big driver across our businesses. We therefore launched two long-term initiatives in recent years aimed at fostering efficiency within the Group.

The *Sanlam for Sanlam* programme, which has been in place for three years, encourages effective collaboration between clusters with the goal of achieving greater growth and profitability.

The *Blueprint for Success* initiative, launched in September 2012, is aimed at enhancing the *Sanlam for Sanlam* programme by helping employees embrace the critical enabling factors that will help Sanlam achieve accelerated growth.

We are satisfied that these two initiatives are achieving the desired results for the Group.

Diversification

Our successful diversification strategy has changed the profile of the Sanlam Group from a traditional insurer 10 years ago to a well-diversified financial services provider with a direct footprint on four continents and is able to offer extensive solutions across all market segments in South Africa.

In 2013 we pushed this strategy even harder with the aim of further diversifying revenue streams. We concluded five acquisitions in 2013 as part of a net capital investment of some R2,5 billion. As a result, we now have a direct footprint in 11 African countries, as well as Europe, Australia, India and Malaysia.

During the year we bedded down our 2012 acquisition of a 49% stake in Malaysian general insurer P&O, which became effective in 2013 and aggressively continued expanding our short-term insurance interests. We bought 49% of NICO General Insurance Company's businesses in Malawi, Zambia and Uganda. FBN Life in Nigeria, in which we have a 35% stake, received a capital contribution of R58 million to enable them to expand into general insurance. In Namibia we increased our shareholding in Capricorn Investment Holdings. We expect steady year on year growth from this investment.

R1,3 billion was also invested to increase our effective holding in Shriram Transport Finance Company in India.

In the Investments cluster, the dual strategy applied by Wealth Management of offshore acquisitions combined with green field investing in South Africa paid off handsomely, resulting in strong new client growth as well as a greater share of wallet from existing clients.

Sanlam Personal Finance delivered superior performance, in part through the introduction of a more diversified product range designed around client needs. We are particularly impressed by the new single premium business attracted in 2013. Sanlam Personal Loans continued to perform well, while our Sanlam Sky business produced excellent results with profits doubling on 2012.

Capital efficiency

Our strong focus on the effective utilisation of capital was maintained during 2013. The Group started the year with discretionary capital of R4,2 billion. The special dividend of 50 cents per share paid in April 2013 utilised R1,1 billion of capital in addition to the net R1,7 billion applied in respect of acquisitions. Investment return earned on the discretionary capital portfolio and excess capital released from Group businesses added some R2,6 billion, leaving us with unallocated discretionary capital of R4 billion at the end of December 2013. We remain focused on utilising the available discretionary capital by finding value-accretive investment opportunities.

Transformation

Transformation in the South African context refers to a company's willingness to adapt the composition of its staff complement and its shareholding to more accurately reflect the demographics of the country. We initially demonstrated Sanlam's commitment to transforming into a truly South African business 10 years ago when we announced the Ubuntu-Botho Investments (Ubuntu-Botho) black economic empowerment (BEE) transaction.

In what has been described as one of the most far-reaching black empowerment transactions to date Ubuntu-Botho, a broad-based black empowerment consortium led by businessman Patrice Motsepe, acquired an 8% shareholding in Sanlam. At the end of December 2013 the 10-year debt had been settled and 66.5 million of the deferred shares issued to Ubuntu-Botho qualified for reclassification into ordinary shares in terms of a value-add formula linked to new Sanlam business flows. This resulted in a total unencumbered holding of 292.5 million Sanlam shares. The total value created was about R15 billion, which is attributable to the shareholders of Ubuntu-Botho.

Underprivileged South Africans will also benefit from the transaction through the Sanlam Ubuntu-Botho Community Development Trust, which will advance and support community upliftment and development projects, BEE initiatives and corporate social investment programmes now that the loans of Ubuntu-Botho have been repaid.

Sanlam is proud of the success of this transaction, which has enabled us to secure significant long-term growth opportunities and effect true broad-based empowerment by involving a representative spectrum of South African community groups in Sanlam's future.

Forward-looking statements

In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, amongst others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as “believe”, “anticipate”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour” and “project” and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

COMMENTS ON THE RESULTS

Introduction

The Sanlam Group IFRS financial statements for the year ended 31 December 2013 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2012 annual report, apart from the following:

- The adoption of new IFRSs that became effective during the 2013 financial year, which impacted on the IFRS financial statements but did not have any effect on the presentation of the shareholders' information.
- The investment categories disclosed in the Group Statement of Financial Position and in the Shareholders' fund Balance Sheet at net asset value were aligned with those required for regulatory purposes in the future, to ensure consistency across the reporting formats.
- The presentation within Group Equity Value (GEV) of non-life Group operations that are not valued at listed market value was amended to align with the treatment of covered business. The fair value of these non-life operations previously comprised of their base valuation to which the year to date earnings were added. The year to date earnings essentially constituted the dividend payment expected from the businesses in terms of the Group's dividend policy. To be consistent with the disclosure of covered business, these operations are, with effect from 2013, reflected at their base valuation in the GEV statement, with year to date earnings (potential dividend) included as part of Other capital. Comparative information has not been restated as the change in presentation does not have an impact on the overall GEV earnings and RoGEV.

Group Equity Value

GEV amounted to R84,4 billion or 4 121 cents per share on 31 December 2013. Including the dividends of 215 cents per share paid during the year, a RoGEV of 17,7% (17% per share) was achieved for 2013, well in excess of the 2013 performance hurdle of 10,8%. The lower RoGEV on a per share basis is largely due to a further 13,5 million Deferred shares held by our Broad-based Black Economic Empowerment partner, Ubuntu-Botho, qualifying for reclassification to ordinary shares in terms of the value-add arrangement. The 10-year period of the agreement ended on 31 December 2013, with a final total of 66,5 million Deferred shares qualifying for reclassification. No further dilution will therefore occur in respect of the arrangement from 2014 onwards.

The strong equity market performance during 2013 had a marked positive impact on the RoGEV for the period, partly offset by the rise in long-term interest rates as well as a relative underperformance of the Santam share price after its outperformance in prior years. Excluding the favourable impact of investment returns in excess of the long-term expectations, higher long-term interest rates and certain other once-off effects, an adjusted RoGEV of 11,3% (10,6% per share) is still in excess of the return target (slightly lower on a per share basis). Excluding the effect of Santam's share price performance, adjusted RoGEV of 15,6% (14,6% per share) is well in excess of the target.

Group Equity Value at 31 December 2013

R million	GEV		RoGEV	
	2013	2012		%
Group operations	76 470	68 166	13 367	19,3
Sanlam Personal Finance	35 666	32 762	6 721	20,5
Sanlam Emerging Markets	10 189	6 105	2 246	29,8
Sanlam Investments	17 971	16 424	4 204	25,9
Santam	12 644	12 875	196	1,5
Covered business	43 475	38 996	9 128	23,4
Value of in-force	27 675	24 050	6 946	28,9
Adjusted net worth	15 800	14 946	2 182	14,6
Other operations	32 995	29 170	4 239	13,3
Group operations	76 470	68 166	13 367	19,3
Discretionary capital and other	7 939	7 186	(20)	-0,3
Group Equity Value	84 409	75 352	13 347	17,7
<i>Per share (cents)</i>	4 121	3 707	629	17,0

Group operations yielded an overall return of 19,3% in 2013. The embedded value of covered business (life operations) amounted to R43 billion, 52% of GEV in December 2013. The capital allocated to the life operations increased marginally to R15,8 billion. Strong earnings from the equity and foreign exposure in the supporting capital portfolios contributed to an aggregate after tax investment return of 14,6%. The in-force book of R27,7 billion yielded an exceptional return of 28,9%. Strong growth in VNB, continued positive operating experience variances, as well as investment variances of R2,4 billion emanating from investment market performance in excess of long-term assumptions, contributed to the sound result. This was partly offset by negative economic assumption changes of R1,1 billion due to the higher risk discount rate applied at the end of December 2013.

Other Group operations provided a return of 13,3%, the net result of a 1,5% return on the Group's investment in Santam and return in excess of 20% on the other non-insurance operations. The Santam share price experienced a correction during 2013, significantly underperforming the general equity market, following major outperformance in prior years. The valuations of the other non-insurance operations were in general positively impacted by a higher level of assets under management and a weaker Rand, somewhat offset by a higher risk discount rate applied to those operations valued on a discounted cash flow basis.

The low return on discretionary and other capital is essentially the combined effect of the investment return earned on surplus capital (substantially invested in low yielding liquid assets), offset by corporate costs.

Earnings

Shareholders' fund income statement for the year ended 31 December 2013			
R million	2013	2012	△
Net result from financial services	5 429	4 030	35%
Sanlam Personal Finance	2 920	2 351	24%
Sanlam Emerging Markets	1 011	428	136%
Sanlam Investments	1 301	975	33%
Santam	333	405	-18%
Corporate and other	(136)	(129)	-5%
Net investment return	3 019	2 356	28%
Project costs and amortisation	(237)	(178)	-33%
Equity participation costs	(151)	(56)	-170%
Secondary tax on companies	-	(233)	100%
Normalised headline earnings	8 060	5 919	36%
<i>Per share (cents)</i>	395,0	292,1	35%

Net result from financial services (net operating profit) of R5,4 billion increased by 35% on 2012, aided by maiden contributions of R410 million from new acquisitions in Sanlam Emerging Markets (SEM). All clusters achieved strong growth with the exception of Santam, where underwriting results were negatively impacted by adverse weather conditions and Rand weakness. Excluding the earnings contribution from SEM structural growth, net result from financial services grew by 25%, a particularly satisfactory result. A higher level of assets under management across most asset management businesses, a growing life in-force book and the weaker Rand exchange rate supported the earnings growth. In addition, Sanlam Investments earned substantially higher performance fees.

Normalised headline earnings of R8 billion are 36% up on 2012. This is the combined effect of the following:

- The 35% growth in net result from financial services.
- A 28% increase in the net investment return earned on the Group's capital portfolio. Net investment income (dividends, interest and rental income) declined by 24%, largely due to a lower average level of discretionary capital in 2013 following the utilisation of capital for acquisitions and the Sanlam special dividend. Net realised and unrealised investment surpluses increased by 80%, supported by good returns on the international exposure in the portfolio and once-off investment gains of some R200 million realised in 2013. The latter includes an increase in the valuation of the Group's interest in Capricorn Investment Holdings (CIH) in Namibia following the listing of its main investment, Bank Windhoek, in the first half of the year (before CIH became an associated company on 1 July 2013) and a sizable recovery of a previously impaired portfolio investment.
- The abolishment of Secondary Tax on Companies (STC) in 2012, resulting in no expense being incurred in 2013.
- A 33% rise in project and amortisation costs, attributable to due diligence and related transaction costs incurred in respect of corporate activity in SEM as well as the weaker Rand exchange rate that increased the amortisation charges of the Investment cluster's international businesses.

- The equity participation expense recognised in terms of IFRS for incentive schemes linked to the value of certain of the Group's non-life operations that increased in line with the higher valuations of these businesses.

Business volumes

The Group achieved overall growth of 26% in new business volumes (excluding white label business), reaching R150 billion for the first time. All businesses contributed to the solid performance, apart from Sanlam Employee Benefits (SEB) that achieved limited growth in new flows in a very competitive market and SEM's Namibian business that recorded a decline in low margin unit trust inflows, largely attributable to the disposal of Capricorn Unit Trust as part of the CIH transaction (refer below). Life insurance new business volumes increased by 25%, augmented by 29% and 10% growth in new investment and short-term insurance business, respectively. The on-going strategic focus on the quality of new business written is reflected in good retention levels and strong net fund inflows. Net fund inflows of R26,1 billion compared to R25 billion in 2012 is commendable, in particular given the loss of three large mandates at Sanlam Investments during the year from clients that restructured their portfolios. Excluding these, net fund inflows of R40,3 billion was achieved, a very satisfactory result in a challenging environment.

Business volumes for the year ended 31 December 2013

R million	New business			Net inflows		
	2013	2012	△	2013	2012	△
Sanlam Personal Finance	42 507	32 355	31%	14 993	8 974	67%
Sanlam Emerging Markets	9 749	12 952	-25%	1 794	3 977	-55%
Sanlam Investments	85 970	62 139	38%	4 184	7 103	-41%
Santam	16 750	15 626	7%	5 142	4 946	4%
Total (excluding white label)	154 976	123 072	26%	26 113	25 000	4%
Covered business	31 687	25 436	25%	10 561	8 532	24%
Investment business	105 697	81 670	29%	10 238	11 431	-10%
Short-term insurance	17 592	15 966	10%	5 314	5 037	5%
Total (excluding white label)	154 976	123 072	26%	26 113	25 000	4%

The value of new life business (VNB) written increased by 13%. On a comparable basis (before economic assumption changes) VNB increased by 24% from R1 278 million in 2012 to R1 584 million in 2013 and after non-controlling interest by 23% to R1 449 million. All clusters achieved strong growth, with the overall new business margin expanding from 3,35% in 2012 to 3,46% in 2013, measured on a comparable basis. The strong growth in new business volumes, good cost control and a continued focus on the quality of new business written had a positive impact on both VNB and new business margins.

The increase in long-term interest rates and consequently the risk discount rate used to determine VNB, had a marked negative impact on VNB after economic assumption changes, particularly on Sanlam Personal Finance (SPF)'s Sanlam Sky business, where the increase in discount rate is to a much lesser extent offset by a commensurate increase in the expected investment return to be earned on investments backing policy liabilities.

Value of new covered business for the year ended 31 December 2013

R million	2013 economic basis			2012 economic basis		
	2013	2012	△	2013	2012	△
Value of new covered business	1 450	1 278	13%	1 584	1 278	24%
Sanlam Personal Finance	986	939	5%	1 113	939	19%
Sanlam Emerging Markets	364	267	36%	374	267	40%
Sanlam Investments	100	72	39%	97	72	35%
Net of non-controlling interest	1 320	1 176	12%	1 449	1 176	23%
Present value of new business premiums	44 902	38 129	18%	45 731	38 129	20%
Sanlam Personal Finance	30 789	27 332	13%	31 627	27 332	16%
Sanlam Emerging Markets	4 877	4 537	7%	4 886	4 537	8%
Sanlam Investments	9 236	6 260	48%	9 218	6 260	47%
Net of non-controlling interest	43 197	36 528	18%	44 022	36 528	21%
New covered business margin	3,23%	3,35%		3,46%	3,35%	
Sanlam Personal Finance	3,20%	3,44%		3,52%	3,44%	
Sanlam Emerging Markets	7,46%	5,88%		7,65%	5,88%	
Sanlam Investments	1,08%	1,15%		1,05%	1,15%	
Net of non-controlling interest	3,06%	3,22%		3,29%	3,22%	

Capital and solvency

Optimal capital management remains a priority for the Group, with specific focus on the following:

- *Optimising the capital allocated to Group operations*, taking account of the applicable regulatory requirements. Continuous attention is given to products attracting suboptimal levels of capital and thus diluting RoGEV. Product design, pricing and new business targets are therefore linked to capital required and the meeting of return hurdles. The Financial Services Board's (FSB) implementation of a third country equivalent of the European Solvency II regime in South Africa (Solvency Assessment and Management (SAM)) is on-going, with the third and last quantitative impact study (QIS3) to be completed in 2014. The QIS3 results will inform the final set of regulations to be issued by the FSB and should give more clarity on the impact that the new regime will have on Sanlam's capital requirements.

The mix of the Group's in force life book is continuously changing to less capital-intensive products. This, coupled with the growth in new life business, resulted in only a slightly higher capital requirement for the life insurance operations at the end of 2013 and a release to discretionary capital of some R1,5 billion from the investment return earned on the allocated capital.

- *Disposal of non-core operations*. The Group's stake in the Punter Southall Group in the United Kingdom was sold during the year, yielding net proceeds of some R360 million.
- *Optimal utilisation of discretionary capital*. The Group's preference remains to invest its discretionary capital in value-adding growth opportunities, with specific focus on the identified growth markets. Some R1,7 billion was utilised for this purpose in 2013, including the following:

- The acquisition of a 5% direct interest in Shriram Transport Finance Company (STFC) in India. In addition to being a good growth investment on a stand-alone basis, the transaction better aligned Sanlam's interests with those of Shriram Capital, our strategic partner in India. Combined with the indirect interest in STFC through our 26% stake in Shriram Capital, the Group now has an effective interest of 12% in STFC. The transaction utilised R1,3 billion of discretionary capital.
- Some R490 million was deployed in line with the Group's stated objective of increasing our exposure to existing operations in Africa. A net amount of R208 million was used to increase the Group's interest in CIH in Namibia to more than 20%, effective 1 July 2013. CIH is the holding company of Bank Windhoek and our strategic bancassurance partner in Namibia. CIH commensurately became a strategic associated company on 1 July 2013, with Sanlam's share of the CIH earnings being equity-accounted as operational earnings from the effective date. FBN Life, our Nigerian life insurance business with strategic partner First Bank of Nigeria, expanded into short-term insurance through the acquisition of a majority stake in a Nigerian general insurance company. The Group's share of the acquisition price amounts to some R58 million. In addition, R130 million was utilised to increase our exposure to the operations of Nico Holdings (Malawi) and R95 million to acquire an additional 3% stake in Botswana Insurance Holdings.
- The arrangement with Santam in respect of short-term insurance business conducted outside of South Africa was formalised at the end of 2013. Through a transaction concluded at a SEM level, Santam acquired a 35% economic interest in SEM's short-term insurance holdings in Africa, India and Malaysia. SEM in turn acquired Santam's stake in Nico Holdings and a 65% economic interest in Santam's holding in Santam Namibia. After the transaction, Santam has an effective 35% economic interest in all of the short-term insurance holdings of the Group outside South Africa, with SEM retaining an effective 65% economic interest. SEM assumed overall management responsibility for the operations, with Santam continuing as the short-term insurance technical partner. Santam paid a net amount of R181 million to Sanlam in terms of the agreement.
- A number of smaller transactions utilised a total amount of some R100 million, the most significant being the renewal of the exclusive bancassurance arrangement with Standard Chartered Bank in Africa for a minimum of 5 years after the expiration of the current agreement.

At the end of December 2012 the Group held discretionary capital of R4,2 billion. Taking into account the movements set out above, the special Sanlam dividend of R1,1 billion paid in April 2013 as well as the investment return earned by the discretionary capital portfolio and the cash operating profit retained in the 2012 dividend earnings cover, discretionary capital amounted to R4 billion at the end of 2013.

Transactions likely to be finalised soon will utilise a large portion of the discretionary capital. In addition, a number of potential opportunities are currently being considered which, if successful, will utilise most of the remaining available discretionary capital within a reasonable timeframe. No special dividend has therefore been considered.

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2013. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R33,6 billion, covered its capital adequacy requirements (CAR) 4,5 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of December 2013.

FitchRatings has affirmed the credit ratings of the Group in 2014 and the outlook remained stable. These include Sanlam Limited: National Long-term AA- (zaf); Sanlam Life Insurance Limited: National Insurer Financial Strength: AA+ (zaf), Subordinated debt: A+ (zaf).

Dividend

The Group declares an annual dividend only due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2013 financial year enabled the Board to increase the normal dividend per share by 21% to 200 cents. This will maintain a cash operating earnings cover of approximately 1,2 times. The South African dividend withholding tax regime applies in respect of this dividend. No STC credits will be utilised. The dividend will be subject to a 15% withholding tax, which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 170 cents per ordinary share. The number of ordinary shares in issue in the company's share capital at the date of the declaration is 1 931 144 256 (excluding treasury shares of 168 855 744). The company's tax reference number is 9536/346/84/5.

Shareholders are advised that the final cash dividend of 200 cents for the year ended 31 December 2013 is payable on Monday, 14 April 2014 to ordinary shareholders recorded in the register of Sanlam at the close of business on Friday, 11 April 2014. The last date to trade to qualify for this dividend will be Friday, 4 April 2014, and Sanlam shares will trade ex-dividend from Monday, 7 April 2014.

Dividend payment by way of electronic bank transfers will be effected on Monday, 14 April 2014. Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2014 and Friday, 11 April 2014, both days inclusive.

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

Sanlam Limited
Bellville
5 March 2014

Sanlam Group

Summarised financial statements for the year ended 31 December 2013

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The policy liabilities and profit entitlement rules are determined in accordance with prevailing legislation, generally accepted actuarial practice and the stipulations contained in the demutualisation proposal. There have been no material changes in the financial soundness valuation basis since 31 December 2012, apart from changes in the economic assumptions.

The basis of presentation and accounting policies for the IFRS financial statements and Shareholders' information are in all material respects consistent with those applied in the 2012 annual report, apart from the changes indicated below.

The preparation of the Group's audited annual results was supervised by the Financial Director, Kobus Möller CA(SA).

The following new or revised IFRSs and interpretations are applied in the Group's 2013 financial year:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits – Amendment regarding removal of corridor method and other comprehensive income treatment
- Amendment to IFRS 7 – Disclosures relating to offsetting of financial assets and liabilities
- Amendments to IAS 1 – Financial statement presentation
- IAS 27 Separate Financial Statements – Consequential amendments resulting from consolidation project
- IAS 28 Investments in Associates and Joint Ventures – Consequential amendments resulting from consolidation project
- May 2012 Improvements to IFRS

The retrospective application of IFRS 10 required restatement of the Group's previous IFRS financial statements. The application of the remainder of the new standards and interpretations did not have a significant impact on the Group's financial position, reported results and cash flows. Certain of these new standards, however, required additional disclosures in the financial statements.

The following new or revised IFRSs and interpretations have effective dates applicable to future financial years and have not been early adopted:

- Amendment to IAS 32 – Clarification of the instances in which the set off of financial assets and liabilities is allowed (effective 1 January 2014)
- Amendment to IFRS 10 – Investment entities exemption (effective 1 January 2014)
- IFRS 9 Financial Instruments (effective 1 January 2018)

The application of these revised standards and interpretations in future financial reporting periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.

All investments have been reclassified to new revised investment categories. These new categories align IFRS investment classifications with the required SAM classifications. All comparative information has been reclassified accordingly. These reclassifications in the current and prior period had no impact on the Group's total comprehensive income, shareholders' fund or net asset value.

EXTERNAL AUDIT

This summarised report is extracted from audited information, but is not itself audited.

The annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The Shareholders' information was audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited Shareholders' information and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the abridged report and the financial information has been correctly extracted from the underlying annual financial statements and Shareholders' information.

Summarised Shareholders' information for the year ended 31 December 2013

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Group Equity Value

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Embedded value of covered business

GROUP EQUITY VALUE

at 31 December 2013

	2013 R million	2012 R million
Embedded value of covered business	43 475	38 996
Sanlam Personal Finance	33 033	30 144
Adjusted net worth	9 041	8 681
Value of in-force	23 992	21 463
Sanlam Emerging Markets	3 541	2 647
Adjusted net worth	1 533	1 145
Value of in-force	2 008	1 502
Sanlam Investments	6 901	6 205
Adjusted net worth	5 226	5 120
Value of in-force	1 675	1 085
Other Group operations	32 995	29 170
Sanlam Personal Finance	2 633	2 618
Sanlam Emerging Markets	6 648	3 458
Sanlam Investments	11 070	10 219
Santam	12 644	12 875
Other capital and net worth adjustments	3 939	2 986
	80 409	71 152
Discretionary capital	4 000	4 200
Group equity value	84 409	75 352
Group equity value per share (cents)	4 121	3 707

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2013

	2013 R million	2012 R million
Result from financial services before tax	8 179	6 285
Sanlam Personal Finance	4 055	3 272
Sanlam Emerging Markets	1 736	850
Sanlam Investments	1 718	1 322
Santam	835	1 008
Corporate and other	(165)	(167)
Tax on financial services income	(2 100)	(1 669)
Non-controlling interest	(650)	(586)
Net result from financial services	5 429	4 030
Net investment return	3 019	2 356
Net investment income	852	1 127
Net investment surpluses	2 110	1 171
Net equity-accounted headline earnings	57	58
Net project expenses	(31)	(23)
Equity participation costs	(151)	(56)
Amortisation of intangibles	(206)	(155)
Net secondary tax on companies	-	(233)
Normalised headline earnings	8 060	5 919
Profit on disposal of operations	90	66
Impairments	(21)	(174)
Normalised attributable earnings	8 129	5 811
Fund transfers	2	(156)
Attributable profit per Group statement of comprehensive income	8 131	5 655

NOTES TO THE SHAREHOLDERS' INFORMATION

for the year ended 31 December 2013

	2013 R million	2012 R million
1. NEW BUSINESS		
Analysed per licence:		
Life Insurance	31 687	25 436
Sanlam Personal Finance	21 498	18 351
Sanlam Emerging Markets	2 862	2 922
Sanlam Investments	7 327	4 163
Investment business and other	123 289	97 636
Sanlam Personal Finance	21 009	14 004
Sanlam Emerging Markets	6 887	10 030
Sanlam Investments	78 643	57 976
Santam	16 750	15 626
New business excluding white label	154 976	123 072
White label	29 879	12 831
Total new business	184 855	135 903

2. NET FLOW OF FUNDS

Analysed per licence:		
Life Insurance	10 561	8 532
Sanlam Personal Finance	6 538	5 771
Sanlam Emerging Markets	1 541	2 200
Sanlam Investments	2 482	561
Investment business and other	15 552	16 468
Sanlam Personal Finance	8 455	3 203
Sanlam Emerging Markets	253	1 777
Sanlam Investments	1 702	6 542
Santam	5 142	4 946
Net inflow excluding white label	26 113	25 000
White label	5 735	(2 011)
Total net flow of funds	31 848	22 989

3. NORMALISED EARNINGS PER SHARE

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these shares, resulting in a mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's earnings. The number of shares in issue must also be reduced with the treasury shares held by the policyholders' fund for the calculation of IFRS basic and diluted earnings per share. This is, in management's view, not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund varies significantly. The Group therefore calculates normalised earnings per share to eliminate the impact of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

	2013 cents	2012 cents
Normalised diluted earnings per share:		
Net result from financial services	266,0	198,9
Headline earnings	395,0	292,1
Profit attributable to shareholders' fund	398,4	286,8
	R million	R million
Analysis of normalised earnings (refer shareholders' fund income statement):		
Net result from financial services	5 429	4 030
Headline earnings	8 060	5 919
Profit attributable to shareholders' fund	8 129	5 811
	Million	million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share	2 026,7	2 009,4
Add: Weighted average Sanlam shares held by policyholders	13,9	16,9
Adjusted weighted average number of shares for normalised diluted earnings per share	2 040,6	2 026,3
Number of ordinary shares in issue	2 100,0	2 100,0
Shares held by subsidiaries in shareholders' fund	(146,6)	(150,9)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive scheme	28,6	30,6
Convertible deferred shares held by Ubuntu-Botho	66,5	53,0
Adjusted number of shares for value per share	2 048,5	2 032,7

EMBEDDED VALUE OF COVERED BUSINESS

at 31 December 2013

EMBEDDED VALUE OF COVERED BUSINESS at 31 DECEMBER 2013

	Note	2013 R million	2012 R million
Sanlam Personal Finance		33 033	30 144
Adjusted net worth		9 041	8 681
Net value of in-force covered business		23 992	21 463
Value of in-force covered business		25 834	23 168
Cost of capital		(1 842)	(1 705)
Non-controlling interest		-	-
Sanlam Emerging Markets		3 541	2 647
Adjusted net worth		1 533	1 145
Net value of in-force covered business		2 008	1 502
Value of in-force covered business		3 313	2 534
Cost of capital		(350)	(273)
Non-controlling interest		(955)	(759)
Sanlam UK		1 194	904
Adjusted net worth		401	295
Net value of in-force covered business		793	609
Value of in-force covered business		845	664
Cost of capital		(52)	(55)
Non-controlling interest		-	-
Sanlam Employee Benefits		5 707	5 301
Adjusted net worth		4 825	4 825
Net value of in-force covered business		882	476
Value of in-force covered business		1 792	1 374
Cost of capital		(910)	(898)
Non-controlling interest		-	-
Embedded value of covered business		43 475	38 996
Adjusted net worth ⁽¹⁾		15 800	14 946
Net value of in-force covered business	1	27 675	24 050
Embedded value of covered business		43 475	38 996

⁽¹⁾ Excludes subordinated debt funding of Sanlam Life.

EMBEDDED VALUE OF COVERED BUSINESS

at 31 December 2013 (*continued*)

CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS for the year ended 31 December 2013

		2013			2012
R million	Note	Total	Net Value of in-force	Adjusted net worth	Total
Embedded value of covered business at the beginning of the year					
		38 996	24 050	14 946	34 875
Value of new business	2	1 320	2 826	(1 506)	1 176
Net earnings from existing covered business		3 991	(439)	4 430	3 210
Expected return on value of in-force business		2 585	2 585	-	2 560
Expected transfer of profit to adjusted net worth		-	(3 693)	3 693	-
Operating experience variances	3	1 021	175	846	555
Operating assumption changes	4	385	494	(109)	95
Expected investment return on adjusted net worth		935	-	935	1 075
Embedded value earnings from operations					
		6 246	2 387	3 859	5 461
Economic assumption changes	5	(1 077)	(1 094)	17	874
Tax changes		88	67	21	(228)
Investment variances – value of in-force		2 387	1 919	468	1 344
Investment variances – investment return on adjusted net worth		1 247	-	1 247	460
Exchange rate movements		237	237	-	(3)
Net project expenses	6	-	-	-	-
Embedded value earnings from covered business		9 128	3 516	5 612	7 908
Acquired value of in-force		79	65	14	47
Transfer from/(to) other Group operations		44	44	-	-
Net transfers from covered business		(4 772)	-	(4 772)	(3 834)
Embedded value of covered business at the end of the year					
		43 475	27 675	15 800	38 996
<i>Analysis of earnings from covered business</i>					
Sanlam Personal Finance		6 205	2 485	3 720	6 296
Sanlam Emerging Markets		1 251	441	810	628
Sanlam UK		326	184	142	162
Sanlam Employee Benefits		1 346	406	940	822
Embedded value earnings from covered business		9 128	3 516	5 612	7 908

EMBEDDED VALUE OF COVERED BUSINESS

at 31 December 2013 (continued)

VALUE OF NEW BUSINESS for the year ended 31 December 2013

R million	Note	2013	2012
Value of new business (at point of sale):			
Gross value of new business		1 654	1 443
Sanlam Personal Finance		1 090	1 003
Sanlam Emerging Markets		407	303
Sanlam UK		43	17
Sanlam Employee Benefits		114	120
Cost of capital		(204)	(165)
Sanlam Personal Finance		(104)	(64)
Sanlam Emerging Markets		(43)	(36)
Sanlam UK		(4)	(3)
Sanlam Employee Benefits		(53)	(62)
Value of new business		1 450	1 278
Sanlam Personal Finance		986	939
Sanlam Emerging Markets		364	267
Sanlam UK		39	14
Sanlam Employee Benefits		61	58
Value of new business attributable to:			
Shareholders' fund	2	1 320	1 176
Sanlam Personal Finance		986	939
Sanlam Emerging Markets		234	165
Sanlam UK		39	14
Sanlam Employee Benefits		61	58
Non-controlling interest		130	102
Sanlam Personal Finance		-	-
Sanlam Emerging Markets		130	102
Sanlam UK		-	-
Sanlam Employee Benefits		-	-
Value of new business		1 450	1 278
Geographical analysis:			
South Africa		1 047	997
Africa		361	266
Other international		42	15
Value of new business		1 450	1 278
Analysis of new business profitability:			
Before non-controlling interest:			
Present value of new business premiums		44 902	38 129
Sanlam Personal Finance		30 789	27 332
Sanlam Emerging Markets		4 877	4 537
Sanlam UK		5 554	2 210
Sanlam Employee Benefits		3 682	4 050
New business margin		3,23%	3,35%
Sanlam Personal Finance		3,20%	3,44%
Sanlam Emerging Markets		7,46%	5,88%
Sanlam UK		0,70%	0,63%
Sanlam Employee Benefits		1,66%	1,43%

EMBEDDED VALUE OF COVERED BUSINESS

at 31 December 2013 (*continued*)

VALUE OF NEW BUSINESS for the year ended 31 December 2013 (*continued*)

R million	Note	2013	2012
Analysis of new business profitability (<i>continued</i>):			
<i>After non-controlling interest:</i>			
Present value of new business premiums		43 197	36 528
Sanlam Personal Finance		30 789	27 321
Sanlam Emerging Markets		3 172	2 947
Sanlam UK		5 554	2 210
Sanlam Employee Benefits		3 682	4 050
New business margin		3,06%	3,22%
Sanlam Personal Finance		3,20%	3,44%
Sanlam Emerging Markets		7,38%	5,60%
Sanlam UK		0,70%	0,63%
Sanlam Employee Benefits		1,66%	1,43%

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2013

1. VALUE OF IN-FORCE SENSITIVITY ANALYSIS	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
Base value	30 720	(3 045)	27 675	
• Risk discount rate increase by 1%	28 907	(3 717)	25 190	(9)
2. VALUE OF NEW BUSINESS SENSITIVITY ANALYSIS	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
Base value	1 506	(186)	1 320	
• Risk discount rate increase by 1%	1 302	(222)	1 080	(18)

	2013 R million	2012 R million
3. OPERATING EXPERIENCE VARIANCES		
Risk experience	645	559
Persistency	211	26
Working capital and other	165	(30)
Total operating experience variances	1 021	555
4. OPERATING ASSUMPTION CHANGES		
Risk experience	655	66
Persistency	13	52
Modelling improvements and other	(283)	(23)
Total operating assumption changes	385	95
5. ECONOMIC ASSUMPTION CHANGES		
Investment yields and other	(1 137)	876
Long-term asset mix assumptions, inflation gap change and other	60	(2)
Total economic assumption changes	(1 077)	874

6. NET PROJECT EXPENSES

Net project expenses relate to once-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.

7. RECONCILIATION OF GROWTH FROM COVERED BUSINESS

The embedded value earnings from covered business reconcile as follows to the net result from financial services for the year:

Net results from financial services of covered business per shareholders' fund income statement

Sanlam Personal Finance

Sanlam Emerging Markets

Sanlam UK

Sanlam Employee Benefits

Investment return on adjusted net worth

Embedded value earnings from covered business: value of in-force

Embedded value earnings from covered business

3 430 2 737

2 607 2 064

484 345

62 67

277 261

2 182 1 475

3 516 3 696

9 128 7 908

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2013 (continued)

	2013	2012
	%	%
8. ECONOMIC ASSUMPTIONS		
<i>Gross investment return, risk discount rate and inflation</i>		
SANLAM LIFE:		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	8,2	6,8
Equities and offshore investments	11,7	10,3
Hedged equities	8,7	7,3
Property	9,2	7,8
Cash	7,2	5,8
Return on required capital	9,2	7,8
Inflation rate ⁽¹⁾	6,2	4,8
Risk discount rate	10,7	9,3
SANLAM INVESTMENTS AND PENSIONS:		
Point used on the relevant yield curve	15 year	15 year
Fixed-interest securities	3,5	2,3
Equities and offshore investments	6,7	5,5
Hedged equities	n/a	n/a
Property	6,7	5,5
Cash	3,5	2,3
Return on required capital	3,5	2,3
Inflation rate	3,4	2,5
Risk discount rate	7,2	6,0
SDM LIMITED:		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	7,4	5,9
Equities and offshore investments	10,9	9,4
Hedged equities	n/a	n/a
Property	8,4	6,9
Cash	6,4	4,9
Return on required capital	8,7	7,2
Inflation rate	5,4	3,9
Risk discount rate	9,9	8,4
BOTSWANA LIFE INSURANCE:		
Fixed-interest securities	8,0	9,0
Equities and offshore investments	11,5	12,5
Hedged equities	n/a	n/a
Property	9,0	10,0
Cash	7,0	8,0
Return on required capital	8,1	9,1
Inflation rate	5,0	6,0
Risk discount rate	11,5	12,5

⁽¹⁾ Expense inflation of 8,2% (2012: 6,8%) assumed for retail business administered on old platforms.

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2013 *(continued)*

	2013 %	2012 %
8. ECONOMIC ASSUMPTIONS <i>(continued)</i>		
<i>Illiquidity premiums</i>		
Investment returns on non-participating annuities and guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity. Assumed illiquidity premiums generally amount to between 25bps and 50bps (2012: 25bps and 50bps) for non-participating annuities and between 25bps and 110bps (2012: 25bps and 110bps) for guarantee plans.		
<i>Asset mix for assets supporting the required capital</i>		
SANLAM LIFE:		
Equities	26	26
Offshore investments	10	10
Hedged equities	13	13
Fixed-interest securities	15	15
Cash	36	36
	100	100
SANLAM INVESTMENTS AND PENSIONS:		
Cash	100	100
	100	100
SDM LIMITED:		
Equities	50	50
Cash	50	50
	100	100
BOTSWANA LIFE INSURANCE:		
Equities	15	15
Property	10	10
Fixed-interest securities	25	25
Cash	50	50
	100	100

Summarised Group IFRS financial statements for the year ended 31 December 2013

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STATEMENT OF FINANCIAL POSITION at 31 December 2013

	2013 R million	2012 ⁽¹⁾ R million
ASSETS		
Equipment	586	449
Owner-occupied properties	672	665
Goodwill	3 796	3 457
Other intangible assets	111	63
Value of business acquired	1 586	1 599
Deferred acquisition costs	2 976	2 717
Long-term reinsurance assets	796	746
Investments	477 550	401 556
Properties	9 182	10 027
Equity-accounted investments	9 780	5 412
Equities and similar securities	166 122	135 506
Interest-bearing investments	131 417	124 212
Structured transactions	11 906	14 831
Investment funds	131 029	97 622
Cash, deposits and similar securities	18 114	13 946
Deferred tax	361	450
Non-current assets held for sale	415	308
Short-term insurance technical assets	2 716	2 096
Working capital assets	69 739	76 847
Trade and other receivables	51 339	60 288
Cash, deposits and similar securities	18 400	16 559
Total assets	561 304	490 953
EQUITY AND LIABILITIES		
Shareholders' fund	40 965	36 556
Non-controlling interest	3 651	2 970
Total equity	44 616	39 526
Long-term policy liabilities	382 309	328 584
Insurance contracts	158 575	148 427
Investment contracts	223 734	180 157
Term finance	6 129	5 463
Margin business	2 038	1 487
Other interest-bearing liabilities	4 091	3 976
Derivative liabilities	1 387	610
External investors in consolidated funds	55 710	38 702
Cell owners' interest	814	688
Deferred tax	2 142	1 333
Short-term insurance technical provisions	11 032	9 877
Working capital liabilities	57 165	66 170
Trade and other payables	54 799	63 469
Provisions	285	396
Taxation	2 081	2 305
Total equity and liabilities	561 304	490 953

(1) Restated for adoption of new IFRS10 and alignment of investment categories between financial and regulatory reporting (refer above)

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2013

	2013 R million	2012 ⁽¹⁾ R million
Net income	102 000	89 337
Financial services income	45 104	40 414
Reinsurance premiums paid	(4 963)	(4 611)
Reinsurance commission received	675	583
Investment income	19 688	19 522
Investment surpluses	47 350	38 303
Finance cost – margin business	(69)	(185)
Change in fair value of external investors liability	(5 785)	(4 689)
Net insurance and investment contract benefits and claims	(71 376)	(62 566)
Long-term insurance contract benefits	(26 480)	(27 977)
Long-term investment contract benefits	(34 106)	(24 690)
Short-term insurance claims	(13 861)	(12 185)
Reinsurance claims received	3 071	2 286
Expenses	(18 418)	(16 408)
Sales remuneration	(5 825)	(5 393)
Administration costs	(12 593)	(11 015)
Impairments	(34)	(206)
Amortisation of intangibles	(263)	(184)
Net operating result	11 909	9 973
Equity-accounted earnings	1 224	584
Finance cost – other	(516)	(453)
Profit before tax	12 617	10 104
Taxation	(3 483)	(3 670)
Shareholders' fund	(2 422)	(2 468)
Policyholders' fund	(1 061)	(1 202)
Profit for the year	9 134	6 434
Other comprehensive income		
Movement in foreign currency translation reserve	1 123	128
Employee benefits re-measurement gain	3	-
Comprehensive income for the year	10 260	6 562

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2013 *(continued)*

	2013 R million	2012 R million
Allocation of comprehensive income:		
Profit for the year	9 134	6 434
Shareholders' fund	8 131	5 655
Non-controlling interest	1 003	779
Comprehensive income for the year	10 260	6 562
Shareholders' fund	9 030	5 760
Non-controlling interest	1 230	802
Earnings attributable to shareholders of the company (cents):		
Basic earnings per share	419,8	293,3
Diluted earnings per share	401,2	281,4

(1) Restated for adoption of new IFRS (refer above)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	2013 R million	2012 R million
Shareholders' fund:		
Balance at beginning of the year – previously reported	36 556	33 822
Change in accounting policy	-	(363)
Balance at beginning of the year - restated	36 556	33 459
Comprehensive income	9 030	5 760
Profit for the year	8 131	5 655
Other comprehensive income	899	105
Net acquisition of treasury shares ⁽¹⁾	(319)	(279)
Share-based payments	329	235
Dividends paid ⁽²⁾	(4 283)	(2 556)
Acquisitions, disposals and other movements in interests	(348)	(63)
Balance at end of the year	40 965	36 556
Non-controlling interest:		
Balance at beginning of the year	2 970	3 046
Comprehensive income	1 230	802
Profit for the year	1 003	779
Other comprehensive income:	227	23
Net disposal/(acquisition) of treasury shares ⁽¹⁾	11	2
Share-based payments	46	22
Dividends paid ⁽²⁾	(518)	(851)
Acquisitions, disposals and other movements in interests	(88)	(51)
Balance at end of the year	3 651	2 970
Shareholders' fund	36 556	33 459
Non-controlling interest	2 970	3 046
Total equity at beginning of the year	39 526	36 505
Shareholders' fund	40 965	36 556
Non-controlling interest	3 651	2 970
Total equity at end of the year	44 616	39 526

(1) Includes movement in cost of shares held by subsidiaries and the share incentive trust.

(2) Normal dividend of 165 cents per share (2012: 130 cents per share) and a special dividend of 50 cents per share declared during 2013 in respect of the 2012 financial year.

CASH FLOW STATEMENT

for the year ended 31 December 2013

	2013 R million	2012 R million
Net cash flow from operating activities	10 372	8 818
Net cash flow from investment activities	(4 529)	(6 611)
Net cash flow from financing activities	143	(1 337)
Net increase in cash and cash equivalents	5 986	870
Cash, deposits and similar securities at beginning of the year	30 505	29 635
Cash, deposits and similar securities at end of the year	36 491	30 505

(1) Restated for adoption of new IFRS (refer above)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

	2013 cents	2012 cents
1. EARNINGS PER SHARE		
Basic earnings per share:		
Headline earnings	416,2	298,9
Profit attributable to shareholders' fund	419,8	293,3
Diluted earnings per share:		
Headline earnings	397,8	286,8
Profit attributable to shareholders' fund	401,2	281,4
	R million	R million
Analysis of earnings:		
Profit attributable to shareholders' fund	8 131	5 655
Less: Net profit on disposal of operations	(90)	(66)
Plus: Impairment of investments and goodwill	21	174
Headline earnings	8 062	5 763
	million	million
Number of shares:		
Number of ordinary shares in issue at beginning of year	2 100,0	2 100,0
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	(162,9)	(171,9)
Adjusted weighted average number of shares for basic earnings per share	1 937,1	1 928,1
Add: Weighted conversion of deferred shares	61,0	50,7
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	28,6	30,6
Adjusted weighted average number of shares for diluted earnings per share	2 026,7	2 009,4

2. RECONCILIATION OF SEGMENTAL INFORMATION

	2013 R million	2012 R million
Segment financial services income (per shareholders' fund information)	42 104	37 247
Sanlam Personal Finance	13 249	11 647
Sanlam Emerging Markets	4 045	2 838
Sanlam Investments	7 574	6 623
Santam	17 124	16 041
Corporate and other	112	98
IFRS adjustments	3 000	3 167
Total financial services income	45 104	40 414
Segment result (per shareholders' fund information after tax and non-controlling interest)	8 129	5 811
Sanlam Personal Finance	5 536	5 420
Sanlam Emerging Markets	1 302	583
Sanlam Investments	1 854	1 368
Santam	692	613
Corporate and other	(1 255)	(2 173)
Reverse Non-controlling interest included in segment result	1 003	779
Fund transfers	2	(156)
Total profit for the year	9 134	6 434

3. SHARE REPURCHASES

The Sanlam shareholders granted general authorities to the Group at the 2013 and 2012 annual general meetings to repurchase Sanlam shares in the market. No share repurchases was done in respect of these authorities.

4. CONTINGENT LIABILITIES

Shareholders are referred to the contingent liabilities disclosed in the 2012 annual report. The circumstances surrounding the contingent liabilities remain materially unchanged.

5. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the dates of the statement of financial position and this report that affect the financial position of the Sanlam Group at 31 December 2013 as reflected in these financial statements.

6. Bond redemption and issue

The SL1 listed bond issued by Sanlam Life Insurance Limited with a nominal value of R1,16 billion reached its first full call date on 15 August 2013. This bond was redeemed on 15 August, but replaced by the successful issuance of a new bond to the same value.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. FAIR VALUE DISCLOSURES

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Included in **level 1** category are financial assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in **level 2** category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as **level 3**.

R million

Recurring fair value measurements

31 December 2013	Level 1	Level 2	Level 3	Total
Properties	-	1 955	7 227	9 182
Equities and similar securities	162 861	1 948	1 313	166 122
Interest bearing investments	100 900	29 723	394	131 017
Structured transactions	3 161	8 745	-	11 906
Investment funds	115 828	14 742	459	131 029
Trading account assets	3 021	33 605	-	36 626
Cash deposits and similar securities	13 614	4 494	-	18 108
Total assets at fair value	399 385	95 212	9 393	503 990
Investment contract liabilities	-	222 967	767	223 734
Term finance	3 047	209	259	3 515
Margin business	3 047	-	-	3 047
Other interest bearing liabilities	-	209	259	468
Derivative liabilities	-	1 184	203	1 387
Trading account liabilities	2 265	30 355	-	32 620
External investors in consolidated funds	54 540	1 170	-	55 710
Total liabilities at fair value	59 852	255 885	1 229	316 966

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
7. FAIR VALUE DISCLOSURES *(continued)*

R million

Recurring fair value measurements

31 December 2012 - restated	Level 1	Level 2	Level 3	Total
Equities and similar securities	132 164	1 461	1 881	135 506
Interest bearing investments	87 836	35 782	163	123 781
Structured transactions	1 278	13 431	122	14 831
Investment funds	85 087	12 182	353	97 622
Trading account assets	2 728	40 884	-	43 612
Cash deposits and similar securities	8 985	4 954	2	13 941
Total assets at fair value	318 078	108 694	2 521	429 293
Investment contract liabilities	-	179 505	652	180 157
Term finance	3 281	77	97	3 455
Margin business	3 121	-	-	3 121
Other interest bearing liabilities	160	77	97	334
Derivative liabilities	-	610	-	610
Trading account liabilities	2 701	35 010	-	37 711
External investors in consolidated funds	37 543	1 159	-	38 702
Total liabilities at fair value	43 525	216 361	749	260 635

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
7. FAIR VALUE DISCLOSURES *(continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value

R million

31 December 2013

Financial assets	Properties	Equities and similar securities	Interest bearing investments	Structured transactions	Investment funds	Cash, deposits and similar securities	Total financial assets
Balance at 1 January 2013	-	1 881	163	122	353	2	2 521
Adjustment due to IFRS 13	8 419	-	-	-	-	-	8 419
Total gains/(loss) in statement of comprehensive income	440	1 191	92	6	6	-	1 735
Acquisitions/Issues	501	222	160	-	56	-	939
Disposals	(2 227)	(1 985)	(34)	(128)	(11)	(2)	(4 387)
Foreign exchange movements	112	4	26	-	-	-	142
Settlements	-	-	(13)	-	-	-	(13)
Not significant (net in/out)	(18)	-	-	-	55	-	37
Balance at 31 December 2013	7 227	1 313	394	-	459	-	9 393
31 December 2012							
Balance at 1 January 2012		2 601	626	89	659	-	3 975
Total gains/(loss) in statement of comprehensive income		(99)	(216)	11	34	-	(270)
Acquisitions		202	30	103	12	2	349
Disposals		(365)	(276)	(81)	(352)	-	(1 074)
Foreign exchange movements		38	-	-	-	-	38
Transfers from level 1 and level 2		(496)	(1)	-	-	-	(497)
Significant - transfer in		-	(1)	-	-	-	(1)
Significant - transfer out		(496)	-	-	-	-	(496)
Balance at 31 December 2012		1 881	163	122	353	2	2 521

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
7. FAIR VALUE DISCLOSURES *(continued)*

Financial liabilities	Investment contract liabilities	Term finance	Derivative liabilities	Total financial liabilities
31 December 2013				
Balance at 1 January 2013	652	97	-	749
Total (gain)/loss in statement of comprehensive income	113	172	197	482
Acquisitions	151	-	6	157
Issues	160	-	-	160
Disposals	(337)	-	-	(337)
Settlements	-	(11)	-	(11)
Foreign exchange movements	28	1	-	29
Balance at 31 December 2013	767	259	203	1 229
31 December 2012				
Balance at 1 January 2012	752	59	-	811
Total (gain)/loss in statement of comprehensive income	126	34	-	160
Acquisitions	128	-	-	128
Disposals	-	-	-	(354)
Foreign exchange movements	(354)	4	-	4
Balance at 31 December 2012	652	97	-	749

Gains and losses (realised and unrealised) included in profit and loss	2013	2012
Total gains or losses included in profit or loss for the period	1 253	411
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	1 007	287

Transfers between categories

Financial assets	Interest bearing investments	Structured transactions	Cash, deposits and similar securities	Total financial assets
2013				
Transfer from level 1 to level 2	-	2	25	27
Transfer from level 2 to level 1	-	-	-	-
2012				
Transfer from level 1 to level 2	103	-	59	162
Transfer from level 2 to level 1	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
7. FAIR VALUE DISCLOSURES *(continued)*

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Capitalisation rate Discount rate
Equities and similar securities	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital Earnings multiple
Interest bearing investments (including insurance policies)	2 and 3	Discounted cash flow model (DCF), Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Earnings multiple
Structured transactions and investment funds	2	Quoted (exit) price provided by fund manager	n/a	n/a
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities:	2	Current unit price of underlying unitised financial asset, multiplied by the number of units held DCF	n/a Bond interest rate curves	n/a n/a
Term finance	2 and 3	DCF	Bond & Forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Derivative assets and liabilities	2 and 3	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	Risk adjustments

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. FAIR VALUE DISCLOSURES *(continued)*

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

Financial Assets	Carrying amount ⁽¹⁾	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount ⁽²⁾	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
	R million	R million	R million	R million	R million	R million
Properties						
2013						
Cashflow risk adjustments	7 227	(723)	723			
Base rate				7 227	(255)	272
Capitalisation				7 227	(354)	432
Other investments	Carrying amount ⁽¹⁾	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount ⁽²⁾	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2013	R million	R million	R million	R million	R million	R million
Equities and similar securities	755	76	(76)	558	(6)	6
Interest bearing investments	345	35	(35)	49	(12)	14
Investment funds	459	46	(46)	-	-	-
Total	1 559	157	(157)	607	(18)	20
2012						
Equities and similar securities	1 737	174	(174)	144	(1)	1
Interest bearing investments	-	-	-	163	(2)	2
Structured transactions	122	12	(12)	-	-	-
Investment funds	353	35	(35)	-	-	-
Cash, deposits and similar securities	2	-	-	-	-	-
Total	2 214	221	(221)	307	(3)	3

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. FAIR VALUE DISCLOSURES *(continued)*

Financial Liabilities	Carrying amount (¹)	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount (²)	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
	R million	R million	R million	R million	R million	R million
2013						
Investment contract liabilities	494	49	(49)	273	(8)	8
Term finance	259	26	(26)	-	-	-
Derivative liabilities	-	-	-	203	(37)	14
Financial liabilities	753	75	(75)	476	(45)	22
2012						
Investment contract liabilities	652	65	(65)	-	-	-
Term finance	97	10	(10)	-	-	-
Financial liabilities	749	75	(75)	-	-	-

⁽¹⁾ Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.

⁽²⁾ Represents mainly instruments valued on a discounted cashflow basis, with sensitivities based on changes in the discount rate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. RESTATEMENTS

The application of IFRS 10 and the alignment of the investment classes to SAM asset classes has led to certain investments in investment funds being reclassified between investment categories and various income and expense items.

STATEMENT OF FINANCIAL POSITION as at 31 December 2012

R million	Previously reported	SAM investment category alignment	IFRS 10 adoption	Restated
Assets				
Investments	379 409	-	16 735	396 144
Properties	17 678	(7 651)	-	10 027
Equities and similar securities	202 952	(75 749)	8 303	135 506
Interest-bearing investments	102 343	10 574	11 295	124 212
Structured transactions	-	14 571	260	14 831
Investment funds	-	101 686	(4 064)	97 622
Cash, deposits and similar securities	56 436	(43 431)	941	13 946
Other assets	17 962	-	-	17 962
Working capital assets	46 193	-	30 654	76 847
Trade and other receivables	31 241	-	29 047	60 288
Cash, deposits and similar securities	14 952	-	1 607	16 559
Total assets	443 564	-	47 389	490 953
Equity and liabilities				
Capital and reserves				
Other shareholders' equity	37 632	-	-	37 632
Consolidation reserve	(713)	-	(363)	(1 076)
Shareholders' fund	36 919	-	(363)	36 556
Non-controlling interest	2 970	-	-	2 970
Total equity	39 889	-	(363)	39 526
External investors in consolidated funds	19 596	-	19 106	38 702
Other liabilities	349 256	-	-	349 256
Working capital liabilities	34 823	-	28 646	63 469
Trade and other payables	34 823	-	28 646	63 469
Total equity and liabilities	443 564	-	47 389	490 953

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. RESTATEMENTS *(continued)*

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2012

R million	Previously reported	IFRS 10 adoption	Restated
Net Income			
Financial services income	40 416	(2)	40 414
Investment income	17 749	1 773	19 522
Investments surpluses	37 091	1 212	38 303
Change in fair value of external investors' liability	(2 463)	(2 226)	4 689
Expenses			
Administration costs	(10 416)	(599)	(11 015)
Finance cost – other	(315)	(138)	(453)
Taxation			
Policyholders' fund	(1 182)	(20)	(1 202)

CASH FLOW STATEMENT for the year ended 31 December 2012

R million	Previously reported	IFRS 10 adoption	Restated
Net cash flow from operating activities	7 924	(2 528)	5 396
Net cash flow from investment activities	(1 984)	(2 477)	(4 461)
Net increase in cash and cash equivalents			
Cash, deposits and similar securities at beginning of the year	65 857	(36 222)	29 635

Administration

Group secretary
Sana-Ullah Bray

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NSX share code: SLA
ISIN: ZAE000070660
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⁽¹⁾ Executive

⁽²⁾ British

⁽³⁾ American national and resident of India

Bellville
5 March 2014

Sponsor
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